

## PREPARATION OF THE EDUCATION REFORM PROGRAM

(NI-0090)

### EXECUTIVE SUMMARY

**BORROWER:** Government of Nicaragua

**EXECUTING AGENCY:** Ministry of Education, Culture and Sports (MECD)

**AMOUNT AND SOURCE:**

IDB: (FSO)	US\$ 9.4 million
Local financing:	US\$ 1.0 million
Total:	US\$10.4 million

**TERMS AND CONDITIONS:**

Amortization period:	40 years
Disbursement period:	4 years
Interest rate:	1% during the grace period and 2% thereafter
Inspection and supervision:	1%
Credit fee:	0.5%

**OBJECTIVES:** The objective of the project is to establish a solid basis for reforming the secondary education system in Nicaragua, as part of a policy to promote quality and equity in education. The project is conceived as a first phase, the results of which will help define larger-scale investments in the future in support of the Nicaraguan government's educational initiatives. (Paras. 2.1, 2.2)

**DESCRIPTION:** The project will finance the following components: (i) a process of dialogue and design to lay the basis for reforming the structure and curriculum of secondary education; (ii) alternative applications of educational technologies, including a start to three pilot activities: *telesecundaria* or distance secondary education, self-training modules, and interactive radio education; (iii) a pilot program for pre-school education, intended to raise the level of preparation of children entering the first grade of primary school and to distribute teaching materials to existing pre-school centers; and (iv) an incentive program to stimulate educational demand and supply through the *Fondo Social Suplementario* (FSS, the Supplementary Social Fund). (Paras. 2.36-2.44).

**PROJECT RELATIONSHIP WITH THE BANK'S SECTOR AND COUNTRY** To date the Bank has never made an education loan to Nicaragua (Country Paper, 1996, GN-1931-1). The priority accorded the education sector, and this project in particular, was confirmed in the wake of

**STRATEGY:** the emergency caused by Hurricane Mitch and at the Consultative Group meeting in Washington, December 10-11, 1998. In keeping with its assessment of the sector, the Bank is promoting a long-term, phased strategy within the framework of a national education plan that will guide the formulation of policy and actions in the sector. The Bank will support the government in drawing up such a master plan. The Bank's own efforts will be concentrated on strengthening the secondary level and integrating it with other levels of the education system. This multifaceted strategy will involve two main phases: (i) designing secondary education reform and identifying cost-effective approaches (the program proposed here), and (ii) implementing the reform in the secondary sector.

**ENVIRONMENTAL/  
SOCIAL REVIEW:** The suggestion of including an environmental consultant to ensure integration of this theme in the reformed secondary curriculum was adopted as part of the proposed project.

**BENEFITS:** Reinforcing decentralization and promoting participation by parents and community leaders will give civil society a greater sense of ownership over the education process, and will make that process more efficient and effective. Introducing new applications of educational technologies into rural areas will allow for greater coverage and quality by reaching out to poor people who until now have had only a limited role in development. The *telesecundaria* program will benefit 5,400 young people (at least 50% of them women) in rural areas, and the interactive radio program will benefit 7,875 students over a three-year period. Access to a quality pre-school preparation will be of direct benefit to 250 children that will take part in the pilot program. A comparative evaluation of different models of pre-school education will allow the government to make informed decisions for expanding the coverage of pre-school services, at lower cost and higher quality. (Paras 4.19-4.25).

**RISKS:** The most significant risk to the success of the education program over the longer term lies in the country's capacity to keep to its commitments under the macroeconomic adjustment program, which calls for imposing sharp restrictions on public spending while redirecting scarce resources to the social sectors. Financing for the social sectors, however, is expected to remain stable or to increase in proportion to GDP, thanks to the funding that will be channeled through the FSS, and the resources that

will flow to the country through its participation in the HIPC initiative.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

1. Conditions prior to the first disbursement. The following must be presented to the Bank's satisfaction:

- (i) Evidence of constitution of (a) the PCU (Project Coordination Unit), endowed with the personnel previously agreed with the Bank (para. 2.45, 3.5), and (b) the project's Steering Committee (para. 3.2).
- (ii) Final version of the project operating regulations, according to the preliminary outline agreed with the Bank (paras. 3.4, 3.14, 3.15).
- (iii) Evidence of signature of the agreement between the executing agency and the *Fondo de Inversión Social de Emergencia* (FISE, the Emergency Social Investment Fund) to build the classrooms that will be used in the telesecundaria pilot program component 2 (para. 2.15).

Notwithstanding the conditions stated above, once the loan contract comes into force and as soon as condition (i) above and the conditions prior to the first disbursement stipulated in clauses (a), (b) and (e) of article 4.01 of the General Conditions have been met, disbursement of up to US\$100,000 will be permitted before the other conditions are met, so as to allow the executing agency to initiate its activities and comply with prior conditions (para. 3.25).

2. Other special contractual conditions

- (i) Prior to the first disbursement to the FSS for execution of component 4 (contributions to the Supplementary Social Fund), the borrower must present evidence to the Bank's satisfaction that:
  - a. An inter-agency agreement has been signed between the executing agency, the President of the FSS Coordinating Council and the Ministry of Finance, establishing the specific conditions under which the FSS will operate in executing the project (para. 3.15);

- b. The FSS Coordinating Council has approved the initial report containing the annual work plan (para. 3.16);
  - c. The 3-month disbursement plan has been approved by the Ministry of Education (para. 3.17).
- (ii) Agreement will be reached, in addition to the conditions applicable to such operations, on project auditing, reporting, and monitoring, as well as establishment of a revolving fund for up to 6% of the financing.

**POVERTY TARGETING  
AND SOCIAL  
CLASSIFICATION:**

Pursuant to the provisions of the Eighth Replenishment (GN-1964-3) this project qualifies as a poverty-targeted operation.

The operation qualifies as targeted at reducing poverty and increasing social equity, as described in the key objectives for Bank activity contained in the report on the Eighth General Replenishment exercise.

**EXCEPTIONS TO  
BANK POLICY:**

None.

**PROCUREMENT:**

The procurement of goods and consulting services and the construction of physical works will be conducted in accordance with Bank procedures. International competitive bidding will be required for purchases exceeding US\$250,000 in the case of goods; US\$200,000 in the case of consulting services; and US\$1,000,000 in the case of works (paras. 3.24 and 3.25).